

INCLUSIONARY HOUSING IN MONTEREY COUNTY

FINDING #1: The current Inclusionary Housing Ordinance, Program, and procedures are out-dated and no longer serve County residents as intended.

RESPONSE: The Monterey County Board of Supervisors agrees with the finding.

FINDING #2: Monitoring of the Inclusionary Housing Ordinance has been insufficient.

RESPONSE: The Monterey County Board of Supervisors agrees with the finding.

FINDING #3: The application and selection process of the Inclusionary Housing Program has been perceived by the public as being unfair and biased.

RESPONSE: The Monterey County Board of Supervisors agrees with the finding.

GRAND JURY FINAL REPORT TITLED Inclusionary Housing in Monterey County
RESPONSE TO RECOMMENDATIONS by Environmental Resource Policy, Housing and
Redevelopment (Monterey County Board of Supervisors) (Agency)
 [as required by Section 933.05(b) California Penal Code]

Rec.#	Check One §933.05(b)				Time frame, explanation, summary (attached), etc.
	(1)	(2)	(3)	(4)	
From Grand Jury Final Report	Has been implemented, include summary of action	Will be implemented, include time frame	Requires further analysis, include time frame	Will not be implemented, include explanation	<u>CONTINUE ON ATTACHED SHEETS AS NECESSARY</u>
1		X			See Attached
2		X			See Attached
3	X				See Attached
4		X			See Attached

INCLUSIONARY HOUSING IN MONTEREY COUNTY

RECOMMENDATION #1: The Board of Supervisors Revise the Inclusionary Housing Ordinance, Program, and procedures to better reflect the needs of County residents.

RESPONSE: The recommendation will be implemented.

In the Spring of 2001, the Monterey County Redevelopment and Housing Office initiated a comprehensive evaluation of the County's Inclusionary Housing Program. Public comment was invited through numerous public meetings. The County's Housing Consultant prepared a detailed report entitled "How Did We Do? An Evaluation of the Inclusionary Housing Program" and a draft was released in January 2002. The report provides background on the program and identifies and discusses 17 specific issues. The report also includes recommendations for revisions to the Inclusionary Ordinance and procedures to better address the objectives of the Program. The recommendations address issues including price and in-lieu fee calculations, title changes, marketing of units, and methods of complying with the Ordinance requirements. The specific issues addressed and the current staff recommendations are included on Attachment 1.

On January 30, 2002, the Monterey County Planning Commission held a public workshop to receive additional public testimony and consider the recommendations contained in the report. The item was continued until February 27, 2002 to allow staff to respond to the comments received. It is anticipated that the Board of Supervisors will consider the recommendations in March of 2002. Required implementing actions will include an amendment to the Inclusionary Housing Ordinance and the adoption of a procedures/policy manual. These actions should be completed by June of 2002.

RECOMMENDATION #2: The Board of Supervisors annually review the Inclusionary Housing Program for updating and compliance.

RESPONSE: The recommendation will be implemented.

As part of the review of the Inclusionary Housing Program currently underway, the Redevelopment and Housing Office has undertaken an aggressive monitoring program of existing inclusionary units. The objective of the monitoring program is to determine the status of each inclusionary unit relative to compliance with the recorded Inclusionary Housing Agreement and the requirements of the program. A status report on the monitoring program will be presented to the Monterey County Housing Advisory Committee on March 13, 2002.

The Redevelopment and Housing Office prepares an annual housing report that is submitted to the Board of Supervisors. A draft of the 2002 Annual Housing Report was prepared on January 30, 2002 and is currently available for public review. The Annual Housing Report provides an overview and assessment of accomplishments of all housing related programs that were undertaken by the County during the previous year and recommends specific actions to be undertaken during the upcoming year. The status of the Inclusionary Housing Program is addressed in the draft 2002 Annual Housing Report. The Annual Report also provides an update of the Monitoring Program and specifics as to the number of affordable units created by the Inclusionary Housing Program. Information presented in future Annual Housing Reports will continue to provide a review of Ordinance implementation on a yearly basis.

RECOMMENDATION #3: The Redevelopment and Housing Division continue to maintain the records and administer the program.

RESPONSE: The recommendation has been implemented.

The monitoring program that has been initiated by the Redevelopment and Housing Office, as part of the evaluation process, has resulted in the creation of a detailed computerized database that tracks the status of all inclusionary units, including the status of agreements, refinances, sales and rentals of units, and income status of current occupants. In addition, files pertaining to the Program have been reorganized to correlate to the database. The Redevelopment and Housing Office is also working closely with the Housing Authority to determine the status and to compile data related to those inclusionary units created during the time in which the Housing Authority administrated the Program. The Redevelopment and Housing Office will continue to refine the database and administer the Program. The monitoring program for this year will be completed in May of 2002. Monitoring will continue to be done every two years. The databases will be updated on a continual basis to facilitate the monitoring program and improve the administration of the program.

RECOMMENDATION #4: Applicants be chosen by a lottery conducted by the Redevelopment and Housing Division.

RESPONSE: The recommendation will be implemented.

The evaluation report includes a number of specific recommended revisions to the process of selecting inclusionary unit buyers and renters, including the following:

- Designates County staff as responsible for marketing the available units
- Establishes a lottery system and priority list based on specific criteria
- Requires that the list of qualified buyers and renters be updated yearly
- Specifies that the Housing Authority continue to qualify potential buyers and renters for income eligibility
- Specifies that the County staff will refer eligible buyers and renters to the developers and owners of available units
- Allows options to be considered to the lottery selection system if such an option is determined to equal or better in respect to meeting program goals and objectives

The selection system will be implemented as part of the new procedures manual that will be completed by June of 2002.

INCLUSIONARY HOUSING IN MONTEREY COUNTY**ATTACHMENT 1****SUMMARY OF ISSUES/RECOMMENDATIONS CONTAINED IN JANUARY 2002
INCLUSIONARY HOUSING REPORT**

ISSUE	GENERATED SIGNIFICANT PUBLIC DISCUSSION?	RECOMMENDATION
1. CALCULATION OF SALES PRICE	NO	Revise calculation to include bedroom size in estimating household income/revise underwriting criteria.
2. VALUE OF HOME IMPROVEMENTS	YES	Revise value of home improvements to include an automatic 10% credit and an additional value increase for bedroom additions.
3. CALCULATION OF RESALE VALUE	YES	Retain current resale value calculation based on change in median income from purchase to resale; however, include value of home improvements/bedroom additions in resale value.
4. REFINANCING AND SECOND DEEDS OF TRUST	YES	Allow Inclusionary owners to finance improvements or take cash out of their properties with either refinancing or second deeds of trusts. Maximum loans on property cannot exceed 100% of resale value.
5. TITLE CHANGES	YES	Change existing policy to allow children or step-children to inherit property, regardless of income or age, with the condition that they occupy property as their principal residence and a new 30-year resale period would begin. Planning Commission recommendation from September 12, 2001 – To retain existing policy, but to allow a 1-year “compassion” period for sale of property.
6. FIRST TIME HOMEBUYER RECOMMENDATION	YES	Continue existing policy of not requiring applicants to be First Time Homebuyers.
7. RENTAL UNIT OCCUPANCY AND AFFORDABILITY	NO	Revise language to include more specific enforcement procedures, household size and property standard requirements and “in perpetuity” time frames.
8. USE OF EXISTING UNITS TO SATISFY INCLUSIONARY REQUIREMENT	YES	Discontinue practice of allowing existing units to be substituted for off-site development of Inclusionary Housing units.

ATTACHMENT 1 (CONTINUED)

**SUMMARY OF ISSUES/RECOMMENDATIONS CONTAINED IN JANUARY 2002
INCLUSIONARY HOUSING REPORT**

ISSUE	GENERATED SIGNIFICANT PUBLIC DISCUSSION?	RECOMMENDATION
9. DEVELOP AN INCLUSIONARY HOUSING MANUAL	NO	Develop an Inclusionary Manual with day-to-day administrative procedures.
10. MONITORING AND COMPLIANCE PROCEDURES	NO	Continue monitoring of existing Inclusionary units that was initiated in Spring 2001.
11. IMPROVE IMPLEMENTATION TOOLS	NO	Revise Inclusionary agreements to ensure that they are readable and more "customer-friendly." Provide materials in English and Spanish.
12. MARKETING AND SELECTION PROCEDURES	NO	Develop written marketing and selection procedures for Inclusionary Housing units.
13. SPECIAL HANDLING PROCEDURES	NO	Rename process to "Entitlement and Permit Processing Coordination" for projects with at least 25% affordable housing and assign staff person to co-ordinate and expedite development process.
14. EXEMPTION FOR OWNER- OCCUPIED UNITS	NO	Revise policies to only allow owner-occupied exemption for developments of 4 units or less. Allow only one exemption per development and, allow only one exemption per developer every 10-year period.
15. TIMING AND DESIGN OF INCLUSIONARY UNITS	YES	Require written agreement at time of Tentative Map/Include language regarding timing, exterior appearance and, number of bedrooms.
16. OPTIONS FOR FULFILLING INCLUSIONARY REQUIREMENT	YES	Continue on-site option; allow off-site only with certain conditions; in-lieu fees allowed for 6 units or less, no in-lieu fees for 7 units or more unless developer can demonstrate that provision of units is infeasible.
17. IN-LIEU FEE CALCULATION	YES	Revise in-lieu fee calculation to more accurately reflect the cost of providing an affordable housing unit.